Auditor of Public Accounts
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Harmon Releases Audit of Former Martin County Sheriff's Unmined Coal Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement – 2013 unmined coal taxes for former Martin County Sheriff Garmon D. Preece. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America. The sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The sheriff's financial statement fairly presents the taxes charged, credited and paid, for the period, October 16, 2013 through September 16, 2014 in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comment:

The former sheriff's office lacked adequate segregation of duties. The former sheriff's office lacked adequate segregation of duties over tax receipts and disbursements. Control deficiencies were present because one employee's duties included the collection of taxes, recording of taxes paid, preparing monthly tax reports, preparing monthly tax disbursements, and co-signing monthly tax disbursements. Other office staff also collected tax bills and prepared daily deposits. By not effectively segregating these duties, there was an increased risk of undetected misappropriation of assets either by error or fraud. Good internal controls dictate the same employee should not handle and record receipts. A proper segregation of duties also protects employees in the normal course of performing their daily responsibilities. In order to achieve a proper segregation of duties, related activities should have been assigned to different individuals. Since budget restrictions limited the number of staff the former sheriff could hire, it might not have been feasible to segregate accounting duties to different individuals. In this situation, the former sheriff should have implemented compensating controls to mitigate the effects of the lack of adequate segregation of duties. The former sheriff should have reviewed the monthly bank reconciliation, compared the amounts deposited on the bank statement to the receipts ledger, and documented with initials on the bank reconciliation.

Former Sheriff's response: Ok.

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report can be found on the auditor's website.

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